



## Interfor Corporation—Interior Woodlands Operations 2016 SFI Surveillance Audit

In August 2016, an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI surveillance audit of Interfor Corporation's (Interfor's) Interior Woodlands operations and fibre procurement activities against the requirements of the 2015-2019 Sustainable Forestry Initiative® (SFI) forest management and fiber sourcing standards. This Certification Summary Report provides an overview of the process and KPMG's findings.

### Description of Interfor's Interior Woodlands Operations

Interfor's Interior Woodlands operations are located in the vicinity of three communities in the southern interior of British Columbia and encompass a total area of approximately 975,000 hectares of Crown land. Interfor's Interior Woodlands Operations include the following:

- Adams Lake Woodlands, which is geographically located in the southern interior of the Province of British Columbia in the Adams Lake and Thompson geographic areas, with the nearest community being the village of Chase. Tenures managed by the operation are Forest Licences A18693, A18694, A74910 and Timber Licence T0888.
- Grand Forks Woodlands, which is located in the Boundary region of the province immediately adjacent to the Canada-USA border. Tenures managed by the operation are Forest Licence A18969 and Tree Farm Licence (TFL) #8.
- Castlegar Woodlands, which is located along the Arrow Lakes and is headquartered in the community of Castlegar. The operation manages TFL #23, TFL #3, and Forest Licence A20192.

Interfor's Interior Woodlands have a total AAC (allowable annual cut) of approximately 1.5 million m<sup>3</sup>/year. Harvest volumes are tracked and reported by government and balanced over the five year cut control period for each licence. The 2016 audit found that the Company's forest harvesting continues to conform to the AAC applicable to these operations.

The woodlands operations that are included within the scope of the Company's SFI certification are covered by a multi-site sustainable forest management (SFM) plan that addresses the objectives of the SFI forest management standard and includes a variety of targets in relation to them. Government-approved forest stewardship plans that address both timber and non-timber values are in place for each division. In addition, each of the TFLs has a Management Plan (MP) which outlines the management objectives, resource information and inventory data used to support proposed harvest levels which are approved by Government. Various higher level plans developed by government (e.g., Land and Resource Management Plans, etc.) also provide direction to forest management within the areas managed by the organization.

The areas covered by Interfor's Interior Woodlands' SFI certification fall within the following WWF ecoregions: (1) Cascade Mountains Leeward Forests, (2) Fraser Plateau and Basin Complex, (3) North Central Rockies Forests, and (4) Okanagan Dry Forests with the majority of the stands located in the following biogeoclimatic zones:

- Interior Cedar Hemlock (ICH)
- Montane Spruce (MS)
- Engelmann Spruce-Subalpine Fir (ESSF)
- Interior Douglas-fir (IDF)



The forests managed by Company are predominantly coniferous with the main commercial tree species harvested being lodgepole pine, Douglas-fir, spruce, western redcedar and subalpine fir. Because of the stand compositions and uniform ages, the forest management approach employed by the Company is predominantly even-aged management: clearcut harvesting with the retention of reserves of standing trees either within or adjacent to harvest areas, replanting of harvest areas within a few years with a mix of ecologically suited tree species using government-approved stocking standards and control of competing vegetation through the use of mechanical means.

### Description of Interfor’s Interior Manufacturing Facilities and Fibre Sourcing Program

The mills included within the scope of the Company’s SFI fibre sourcing certification includes the following manufacturing facilities:

- Adams Lake Lumber sawmill
- Grand Forks sawmill
- Castlegar sawmill

The Company’s fiber sourcing needs vary between facilities. While the majority of fiber is sourced directly from the Company’s own woodlands, approximately 40% is purchased from third parties. Interfor’s Interior Woodlands sources fibre from other organizations (e.g., forest companies and B.C. Timber Sales) who hold their own SFM certifications, with a small percentage coming from uncertified private land or woodlots. In addition, a small portion of the Company’s fibre sourcing is obtained through purchase stumpage that is logged by Interfor’s Interior Woodlands contractors under the Company’s environmental management system. All wood is sourced from within the Southern Interior of British Columbia; primarily in the Thompson Rivers, 100 Mile, Okanagan-Shuswap and Selkirk Natural Resource Districts.

Interfor’s Interior Woodlands participates in the WCSIC Purchase Wood Monitoring Program by completing risk assessments for all wood purchases and purchase wood inspections as necessary. The results are then collated by WCSIC (of which Interfor’s Interior Woodlands is a member) in order to identify trends in performance and opportunities for improvement.

### Audit Scope

The audit was conducted against the requirements of the 2015-2019 edition of the SFI forest management and fiber sourcing standards, and incorporated an assessment against the SFI program objectives for:

- Protection and maintenance of water resources;
- Management of visual quality and recreation benefits;
- Efficient use of fiber resources;
- Legal and regulatory compliance;
- Community involvement and landowner outreach, and;
- Management review and continual improvement.

The scope of the 2016 SFI surveillance audit of Interfor’s Interior Woodlands operations included two of the woodlands operations noted above, as well as fibre

### Interfor Interior Woodlands. SFI Surveillance Audit Findings

Open non-conformities from previous audits	2
New major non-conformities	0
New minor non-conformities	4
New opportunities for improvement	9

#### Types of audit findings

##### Major non-conformities:

Are pervasive or critical to the achievement of the SFM Objectives.

##### Minor non-conformities:

Are isolated incidents that are non-critical to the achievement of SFM Objectives.

All non-conformities require the development of a corrective action plan within 30 days of the audit. Corrective action plans to address major non-conformities must be fully implemented by the operation within 3 months or certification cannot be achieved / maintained. Corrective action plans to address minor non-conformities must be fully implemented within 12 months.

##### Opportunities for Improvement:

Are not non-conformities but are comments on specific areas of the SFM System where improvements can be made.

procurement activities for the Interfor’s Interior Woodlands sawmills located within the communities of Grand Forks and Castlegar.

### The Audit

- **Audit Team** – The audit was conducted by Sylvi Holmsen, RPF, EP(EMSLA) and Yurgen Menninga, RPF, EP(EMSLA) . Both team members are employees of KPMG PRI, and have conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, and CSA Z809.
- **2016 SFI Surveillance Audit** – The audit involved an on-site assessment of selected elements of the Company’s SFI program, and included visits to several field sites (20 roads, 14 cutblocks, 10 silviculture sites and 6 wood procurement sites) to evaluate conformance with the requirements of the current SFI forest management and fibre sourcing standards. The 2016 Interfor’s Interior Woodlands audit took a total of twelve auditor days to complete, ten days of which were spent on-site at the operations included in the audit sample. The balance of audit time was spent preparing the audit plan, completing an off-site review of selected Company documents and records and completing various audit checklists and preparing the main and public summary audit reports.
- **Multi-site Audit Sampling** – Interfor Corporation, Interior Woodlands Operations holds a multi-site SFI certificate covering a total of three woodlands divisions and associated fibre sourcing activities. Field visits were made to two out of three divisions (divisions Grand Forks and Castlegar) during the course of the audit. This sample size is consistent with IAF requirements regarding audit sampling for multi-site certifications.
- **Interfor Interior Woodlands Operations SFI Program Representative** – Randy Waterous, RFT served as Interfor’s SFI program representative during the audit.

### Use of Substitute Indicators

The audit involved an assessment of conformance against the applicable objectives, performance measures and indicators included in the 2015-2019 version of the SFI forest management and fiber sourcing standards. None of the indicators included in the SFI standards were modified or substituted for the purpose of this audit.

### Audit Objectives

The objective(s) of the audit were to evaluate the sustainable forest management system at Interfor’s Interior Woodlands to:

- Determine its conformance with the requirements of the SFI 2015-2019 forest management and fiber sourcing standards;
- Evaluate the ability of the system to ensure that Interfor’s Interior Woodlands operations meet applicable regulatory requirements, and;
- Evaluate the effectiveness of the system in ensuring that Interfor’s Interior Woodlands meets its specified SFM objectives.



Photo Credit: Randy Waterous

Visual quality objectives are met through on block retention of trees and modification of block boundaries.

Interfor Interior Woodlands Field Audit Sample Size	
Roads	20
Harvesting	14
Silviculture	10
Log dumps	1
Wood procurement	6

### Evidence of Conformity with the SFI 2015-2019 Forest Management and Fibre Sourcing Standards

Primary sources of evidence assessed to determine conformity with the SFI 2015-2019 forest management and fibre sourcing standards are presented in the following tables.

SFI Forest Management Objective	Key Evidence of Conformity
1. Forest Management Planning	Not in scope for the 2016 audit.
2. Forest Health and Productivity	Not in scope for the 2016 audit.
3. Protection and Maintenance of Water Resources	Field inspections of riparian/streams/roads, review of site plans & harvest plans; under the FSP through soil hazard ratings/ disturbance limits and riparian management measures, Environmental Management System (EMS), regulatory agency inspections, standard operating procedures (SOP), pre-work records, inspection records, audit field inspections, CP, SPs, FSPs, MPs
4. Conservation of Biological Diversity	Not in scope for the 2016 audit.
5. Management of Visual Quality and Recreational Benefits	Higher level plans, SFMP, FSPs, MPs, CP, SP, field inspections, visual and greenup assessments, audit field inspections
6. Protection of Special Sites	Not in scope for the 2016 audit.
7. Efficient Use of Fibre Resources	SFMP, waste reports, field inspections, audit field inspections
8. Recognize and Respect Indigenous Peoples Rights	Not in scope for the 2016 audit.
9. Legal and Regulatory Compliance	SFMP, inspection records, health & safety policy; field inspections, SOPs, pre-work, EMS manual, regulatory compliance reports, incident reports, SAFE certification, audit field inspections
10. Forestry Research, Science and Technology	Not in scope for the 2016 audit.
11. Training and Education	Not in scope for the 2016 audit.



Photo Credit: Randy Waterous

Interfor’s Interior Woodlands operations manage forest land to accommodate a wide variety of objectives, including wildlife.



Photo Credit: Randy Waterous

In areas where Interfor has identified Armillaria infection in the stand prior to harvesting, the Company utilizes stumping of the completed harvesting blocks to limit the risk of Armillaria infection of new plantations.

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**Evidence of Conformity with the SFI 2015-2019 Forest Management and Fibre Sourcing Standards (cont'd)**

SFI Forest Management Objective	Key Evidence of Conformity
12. Community Involvement and Landowner Outreach	SFMP, FSPs, WCSIC minutes & resources, stakeholder consultation records, contracts, staff interviews.
13. Public Land Management Responsibilities	Not in scope for the 2016 audit.
14. Communications and Public Reporting	Certification summary report, annual report to SFI Inc.
15. Management Review and Continual Improvement	SFMP, management review records, internal audit and related action plans.

SFI Fibre Sourcing Objective #	Key Evidence of Conformity
1. Biodiversity in Fibre Sourcing	Higher level plans, SFM Plan, FSPs, Landscape Unit Plans, site plans; Innovative Forest Practices Agreement (IFPA) and associated Timber Supply Review (TSR), identified wildlife management strategies, species at risk lists and information, GAR orders, general wildlife measures, archeological assessments, noxious weed management plan, Boundary Weed Committee, invasive plant committee, Wood Producer Information Package, interviews with procurement staff.
2. Adherence to Best Management Practices	Wood Producer Information Package, which includes fibre sourcing policy, and records of its distribution to wood producers, Log Purchase Agreements, records of implementation of the BMP monitoring system, field inspection of a sample of procurement sites, interviews with procurement staff.
3. Use of Qualified Resource and Qualified Logging Professionals	Not in scope for the 2016 audit.



Photo Credit: Randy Waterous

The audit included field inspections of active and completed roads, harvesting and silviculture operations, as well as interviews with contractor crews and Interfor staff on active operations.

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**Evidence of Conformity with the SFI 2015-2019 Fibre Sourcing Standard (cont'd)**

SFI Fibre Sourcing Objective #	Key Evidence of Conformity
4. Legal and Regulatory Compliance	Company policies regarding regulatory compliance, procedures to ensure compliance with applicable regulatory requirements, inspection of a sample of procurement sites, interviews with staff.
5. Forestry Research, Science and Technology	Not in scope for the 2016 audit.
6. Training and Education	Not in scope for the 2016 audit.
7. Community Involvement and Landowner Outreach	SFMP, FSPs, WCSIC minutes & resources, stakeholder consultation record, wood procurement program, contracts, Wood Producer Information Package distribution, risk assessment, inspection results, staff interviews.
8. Public Land Management Responsibilities	Not in scope for the 2016 audit.
9. Communications and Public Reporting	Not in scope for the 2016 audit.
10. Management Review and Continual Improvement	SFMP, management review records, internal audit and related action plans.
11. Promote Conservation of Biological Diversity, Biodiversity Hotspots and High-Biodiversity Wilderness Areas	Not in scope for the 2016 audit.
12. Avoidance of Controversial Sources Including Illegal Logging	Not in scope for the 2016 audit.
13. Avoidance of Controversial Sources Including Fibre Sourced from Areas without Effective Social Laws	Not in scope for the 2016 audit.



Photo Credit: Randy Waterous

The KPMG audit included field inspections of a sample of fibre procurement sites to confirm the adherence to best management practices and regulatory requirements.

### Good Practices

A number of good practices were identified during the course of the audit. Examples included:

- SFI Forest Management Objective 13 (stakeholder communication) – Extensive consultation and interaction with the Jewel Lake community when planning and implementing road construction and harvesting operations.
- SFI Forest Management Objective 2 (forest productivity) – Examples of good retention of mature trees on harvested blocks.
- SFI Forest Management Objective 3 (water quality) – Several examples of well-constructed roads.
- SFI Forest Management Objective 3 (water quality) – Road construction crew had a good understanding of site specific issues including their impact on community watershed.
- SFI Forest Management Objective 2 (forest productivity) – Where available, LIDAR images have been provided to logging contractors. On one active harvesting site, the contractor noted that he found this information very useful.
- SFI Forest Management Objective 2 (forest productivity) – The use of tablets with georeferenced maps facilitated timely changes to spur road locations on the logging plan as the contractor was able drop pins onto the map to identify the new location of the spur and email an image of the map to the Interfor supervisor for approval.
- SFI Forest Management Objective 3 (water quality) – The Castlegar operation has taken initiative in avoiding risk to important fish habitat on Silverton Creek by:
  - realigning the road and removing log cribbing and replacing it with rip-rap; and,
  - coordinating and overseeing the removal of an old log bridge on a non-status road.

### Follow-up on Findings from Previous Audits

At the time of this assessment there were a total of two open non-conformities from previous Interfor Interior Woodlands external SFI audits. The audit team reviewed the status of the action plans that were developed by the Company to address these previous audit findings and concluded that they: (1) had been implemented as required, and (2) were effective in addressing the root cause(s) of these non-conformities. As a result, all of the previously identified non-conformities have now been closed.



Photo Credit: Randy Waterous

The KPMG audit examine road construction practices and noted several examples of well constructed roads, including the use of arch culverts designed to minimize the impact of stream crossings on the banks and beds of fish bearing streams.



Photo Credit: Randy Waterous

Interfor uses technology, such as tablets with georeferenced maps, to facilitate road construction, harvesting and silviculture operations.

### Areas of Nonconformance

A total of four minor non-conformities were however identified during the SFI re-certification/surveillance audit of Interfor’s Interior Woodlands forest management and fibre sourcing operations. These included:

- SFI Fiber Sourcing Objective 2 (best management practices) – review of a sample of Log Purchase Agreements and associated wood procurement risk assessments during the audit identified weaknesses in the wood procurement risk assessment process and documentation.
- SFI Forest Management Objective 3 (water quality) – While the Company has procedures and plans in place to protect streams during bridge construction, the field inspection of a recently constructed bridge identified gaps in the implementation of the plans and procedures.
- SFI Forest Management Objective 9 (regulatory compliance) – While the Company has systems in place to facilitate compliance with legal requirements, the audit identified two minor instances of non-compliance with legal requirements related to fuel tanks and fire hazard assessments.
- SFI Forest Management Objective 5 (visual quality) – Review of a sample of Visual Impact Assessments found that the impact assessment process used was not consistent with the regulatory requirements.

### Opportunities for Improvement

A total of Y new opportunities for improvement were also identified during the audit. The key opportunities noted during the audit included:

- SFI Fibre Sourcing Objective 2 (best management practices) – The audit identified an opportunity to improve the consistency of the documentation of wood purchases on the Log Purchase Agreements.
- SFI Fibre Sourcing Objective 2 (best management practices) – The audit identified an opportunity to improve the tracking of risk assessments and inspections to ensure completeness of the risk assessments and inspections. Previously, a ledger had been used to track these items, however, the spreadsheet had not been updated since late 2015.
- SFI Fibre Sourcing Objective 2 (best management practices) – The audit identified an opportunity to improve the evaluation of wood suppliers when completing the risk assessment by taking into consideration the results of previous inspections and also the wood supplier. For example, in the case of BCTS being the wood source, the supplier is actually the licence holder who can impact the risk and compliance.
- SFI Forest Management Objective 2 (forest productivity) – The audit identified an opportunity to improve the piling of debris to protect standing timber. In two situations, debris was piled too close to the timber.
- SFI Forest Management Objective 5 (recreational opportunities) – While the Company engaged in significant consultation with the Jewel Lake community, an opportunity was identified to determine if there is an organization or group that can better provide information on the location and use of the ski trails in the area to ensure that the trails have been adequately protected during operations.



To protect important fish habitat on Silverton Creek, Interfor’s Castlegar operation coordinated and oversaw the removal of an old, collapsing log bridge on a non-status road just off the Silverton FSR. While Interfor had no legal responsibility for the bridge, the Castlegar operation identified the need for its removal, and coordinated this activity with the Slocan Lake Stewardship Society as well as government agencies.



- SFI Forest Management Objective 3 (water quality) – Interviews with crews and inspections of spill kits identified an opportunity to improve spill response preparedness and awareness.
- SFI Fibre Sourcing Objective 2 (best management practices) – The field audit identified an opportunity to improve the interaction and communication with wood suppliers to ensure conformance with BMPs for utilization and safety and managing risk to forest resources.
- SFI Forest Management Objective 3 (water quality) – On one block, the audit noted a log deck in the ditch where one log was blocking the culvert on a stream which was dry at the time .
- SFI Forest Management Objective 3 (water quality) – A visit to the tug boat dock at Castlegar identified an opportunity to improve the protection of the fuel hose from damage and verify that the two emergency fuel shutoff buttons work.

### Audit Conclusions

The audit found that the Interfor Interior Operations’ sustainable forest management system and fibre sourcing program:

- Were in full conformance with the requirements of the SFI 2015-2019 forest management and fibre sourcing standards included within the scope of the audit, except where noted otherwise in this report;
- Have been effectively implemented, and;
- Are sufficient to systematically meet the commitments included within the organization’s environmental and SFM policies, provided that the systems continues to be implemented and maintained as required.

As a result, a decision has been reached by the lead auditor to recommend that Interfor’s Interior Woodlands operations continue to be certified to the SFI 2015-2019 forest management and fibre sourcing standards.

### Corrective Action Plans

Corrective action plans designed to address the root cause(s) of the non-conformities identified during the audit have been developed by Interfor’s Interior Woodlands operations and reviewed and approved by KPMG PRI. The next surveillance audit will include a follow-up assessment of these issues to confirm that the corrective action plans developed to address them have been implemented as required.



Photo Credit: Dave Kew

Interfor’s operations also include marine operations on the Arrow Lakes. The audit included an inspection of the tug boat dock facility in Castlegar and noted an opportunity to improve dock operations to reduce the risk of a fuel spill.

**Focus Areas for the Next Audit Visit**

The following issues/potential concerns have been identified as focus areas for the next audit visit:

- Implementation of the action plans developed by Interfor’s Interior Woodlands operations to address all open non-conformities identified during previous external audits.
- Finalization and approval of the new Forest Stewardship Plan for Castlegar, and associated amendments of the site plan template in Cengea.
- Impact of the planned subdivision of the Nakusp Forest License.
- Ongoing implementation of the procurement program.
- Assignment of roles and responsibilities and implementation of the contract monitors.



Photo Credit: Randy Waterous

Interfor manages reforested blocks until the stands meet the regulatory requirement of free growing based on stocking standards approved in the Company’s Forest Stewardship Plans.

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